COMMENTARY

Janus Henderson Emerging Markets Fund

Q2 2023

Marketing communication - For professional investors only
Past performance does not predict future returns

Fund Manager Name

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Investment environment

Emerging market stocks faced headwinds in the second quarter, even as global stocks advanced due to hopes that moderating inflation might persuade major central banks to end their aggressive interest rate hikes. While fears of a severe global recession receded, there were signs that higher interest rates and price pressures were slowing economic growth in some countries.

Uncertainty about the direction of economic growth led investors to favour a narrow group of long-duration growth stocks, especially in the US. These included stocks that investors believed might be beneficiaries of longer-term secular trends such as generative artificial intelligence (AI).

Stocks in the Eastern European emerging market outperformed the broader index. Stocks in Brazil also benefited from an improved economic backdrop. Stocks in China and Hong Kong declined given worries that the post-reopening economic rebound may be weaker than anticipated.

Portfolio review

The fund outperformed its benchmark, the MSCI Emerging Markets Index, for the quarter. Stock selection drove relative outperformance, offsetting a small detraction from allocation decisions.

Samsung Electronics was a top individual contributor to relative performance. Its shares benefited from a market rotation into stocks viewed as potential beneficiaries of advancements in generative AI, given that it is a leading global supplier of memory chips. We see AI as a potential growth driver that could underpin memory chip demand well into the second half of this decade, benefiting companies such as Samsung. Nearer term, we have seen improving fundamentals for the semiconductor market, supported by resilient chip demand. Chipmakers have also been relatively disciplined in keeping supply in balance with demand, leading to firmer pricing and a better outlook for profitability.

Relative fund performance was lifted by our investment in early-stage biopharmaceutical company Structure Therapeutics (formerly ShouTi), as the stock has rallied since a successful initial public offering (IPO) earlier this year. The company also announced progress in initiating Phase 2 clinical studies for its oral small-molecule GLP-1 solution, which it hopes will provide a more effective, convenient, and lower-cost therapy to patients living with type 2 diabetes and obesity. There is growing optimism around small-molecule oral medicines, which we believe have the potential to take market share away from injectable drugs as, they have demonstrated superior dosing potential with less toxicity, which may result in improved patient experiences, access and compliance.

Several Chinese investments were detractors, as signs of a cooling economy pressured Chinese stocks. Detractors included LONGi Green Energy Technology, a maker of solar wafers, which faced concerns that it may be falling behind the technology curve in an increasingly competitive Chinese solar market. We maintained the position, as we expect accelerating demand for solar installation to meet China's ambitious decarbonisation targets. In our view, this demand for solar components will be more than strong enough to absorb any expansion in manufacturing capacity. We also believe LONGi is well positioned for the next technology evolution, including new heterojunction technology (HJT), which is aimed at enhancing efficiency while enabling solar developers to install more products and earn higher returns.

The rotation away from growth-oriented Chinese stocks also negatively impacted biopharmaceutical company Zai Lab, another detractor. Additionally, Zai Lab has faced uncertainty around clinical data expected on a lung cancer drug being developed by a partner company. We have remained optimistic on the drug's prospects for approval in China, and we remain very confident about the company's positioning given its broad pipeline and potential for commercialising products across its platform.

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Manager outlook

We recognise the potential for slowing global economic growth and its implications for emerging markets. At the same time, we have become more optimistic about the outlook for emerging markets relative to developed economies. Central banks in the emerging markets started to raise interest rates ahead of banks in the US and Europe, and are further along in containing inflation. For this reason, we believe we could see rates stabilise sooner in the emerging markets, relative to the US and Europe.

While the post-reopening recovery in China has been more measured than expected, Chinese policymakers have announced a series of stimulus measures that may support growth later in the year. Outside of China, we continue to find opportunities in Vietnam, Indonesia and Mexico. These three countries are benefiting from the rearchitecting of supply chains and the trend toward nearshoring and "friendshoring," as corporations seek to secure supply chains closer to home. We also see strong opportunities in the Middle East, notably in Saudi Arabia, as a result of a higher oil price environment and the ongoing modernisation and liberalisation of the country.

We also continue to identify longer-term trends that we believe are creating attractive opportunities, from innovation in health care to investments in electric vehicles and green energy. Above all, we believe our disciplined investment approach may help us navigate this challenging period, guided by our multi-lens approach that considers a company's fundamentals and governance, as well as the macroeconomic and policy landscape.

Source: Janus Henderson Investors, as at 30 June 2023

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Fund information (Investment policy is on the next page)

Index	MSCI Emerging Markets Index
Morningstar sector	Europe OE Global Emerging Markets Equity
Objective	The Fund aims to provide a return, from a combination of capital growth and income over the long term.
Performance target	To outperform the MSCI Emerging Markets Index by 2% per annum, before the deduction of charges, over any 5 year period.

Performance in (EUR)

Performance %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
1 month	1.8	1.4	1.9	-	-
YTD	3.5	2.6	3.6	-	-
1 year	-4.3	-2.5	-0.9	-	-
3 years (annualised)	1.6	3.3	2.8	-	-
5 years (annualised)	0.0	2.3	1.7	1.8	4.4
10 years (annualised)	3.1	4.9	4.0	4.9	7.0

Source: at 30 Jun 2023. © 2023 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Calendar year returns %	A2 (Net)	Index	Sector
2023 to 30 Jun 2023	3.5	2.6	3.6
2022	-22.0	-14.9	-16.8
2021	8.0	4.9	5.0
2020	11.4	8.5	7.2
2019	9.7	20.6	21.0
2018	-13.7	-10.3	-12.3
2017	13.4	20.6	18.6
2016	13.8	14.5	12.6
2015	-1.9	-4.9	-4.3
2014	10.9	11.8	10.9
2013	-5.8	-6.5	-5.6

Source: at 30 Jun 2023. © 2023 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund.

Note that any differences among portfolio securities currencies, share class currencies and costs to be paid or represented in currencies other than your home currency will expose you to currency risk. Costs and returns may increase or decrease as a result of currency and exchange rate fluctuations.

Fund charges will impact the value of your investment. In particular, the ongoing charges applicable to each fund will dilute investment performance, particularly over time. For further explanation of charges please visit our Fund Charges page at http://www.janushenderson.com.

Source for target returns (where applicable) – Janus Henderson. Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective. With effect from 1 January 2023, the Key Investor Information document (KIID) changed to the Key Information Document (KID), except in the UK where investors should continue to refer to the KIID. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records/scenarios are detailed within the fund's specific KIID/KID, fees and charges, and the respective risk rating may vary. Further information can be found in the fund's prospectus and KIID/KID which must be reviewed before investing. Please consult your local sales representative if you have any further queries.

From 3 August 2015. The Fund changed its investment policy. Past performance shown before 3 August 2015 was achieved under circumstances that no longer apply. Please note on 18 February 2022, the Janus Henderson Latin American Fund merged into the Janus Henderson Emerging Markets Fund.

Past performance does not predict future returns. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested

Janus Henderson Emerging Markets Fund

What are the risks specific to this fund?

- The Fund could lose money if a counterparty with which the Fund trades becomes unwilling or unable to meet its obligations, or as a result of failure or delay in operational processes or the failure of a third party provider.
- Shares/Units can lose value rapidly, and typically involve higher risks than bonds or money market instruments. The value of your investment may fall as a result.
- Shares of small and mid-size companies can be more volatile than shares of larger companies, and at times it may be difficult to value or to sell shares at desired times and prices, increasing the risk of losses.
- Emerging markets expose the Fund to higher volatility and greater risk of loss than developed markets; they are susceptible to adverse political and economic events, and may be less well regulated with less robust custody and settlement procedures.
- This Fund may have a particularly concentrated portfolio relative to its investment universe or other funds in its sector. An adverse event impacting even a small number of holdings could create significant volatility or losses for the Fund.
- The Fund may use derivatives with the aim of reducing risk or managing the portfolio more efficiently. However this introduces other risks, in particular, that a derivative counterparty may not meet its contractual obligations.
- If the Fund holds assets in currencies other than the base currency of the Fund, or you invest in a share/unit class of a different currency to the Fund (unless hedged, i.e. mitigated by taking an offsetting position in a related security), the value of your investment may be impacted by changes in exchange rates.
- Securities within the Fund could become hard to value or to sell at a desired time and price, especially in extreme market conditions when asset prices may be falling, increasing the risk of investment losses.
- The Fund may incur a higher level of transaction costs as a result of investing in less actively traded or less developed markets compared to a fund that invests in more active/developed markets. These transaction costs are in addition to the Fund's Ongoing Charges.

General risks

- Past performance does not predict future returns.
- The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.
- Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change.

Investment policy

The Fund invests at least two-thirds of its assets in shares (equities) and equity-related securities of companies, of any size, in any industry, in emerging markets. Companies will have their registered office in or do most of their business (directly or through subsidiaries) in emerging markets. 'Emerging markets' may be countries in the MSCI Emerging Markets Index, those included in the World Bank definition of developing (low and lower middle income) economies, or which are, in the investment manager's opinion, developing. The Fund may invest in companies of any size, including smaller capitalisation companies, in any industry.

The Fund may also invest in other assets including companies outside emerging markets, cash and money market instruments.

The investment manager may use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently.

The Fund is actively managed with reference to the MSCI Emerging Markets Index, which is broadly representative of the companies in which it may invest, as this forms the basis of the Fund's performance target. The investment manager has discretion to choose investments for the Fund with weightings different to the index or not in the index, but at times the Fund may hold investments similar to the index.

Janus Henderson Emerging Markets Fund

For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: www.janushenderson.com.

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Important information

ESG integration is the practice of incorporating material environmental, social and governance (ESG) information or insights in a non-binding manner alongside traditional measures into the investment decision process to improve long term financial outcomes of portfolios. This product does not pursue a sustainable investment strategy or have a sustainable investment objective or otherwise take ESG factors into account in a binding manner. ESG related research is one of many factors considered within the investment process and in this material we seek to show why it is financially relevant.

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